

Message Text

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ACTION IO-13

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ROME FOR FODAG

E.O. 11652: N/A
TAGS: UNIDO, OCON, EIND, EAGR
SUBJECT: FIRST UNIDO CONSULTATION MEETING ON THE FERTILIZER
INDUSTRY

REF: VIENNA 0584

1. SUMMARY: CONSENSUS REACHED BY FERTILIZER CONSULTATION
ON SUBSTANTIVE ISSUES OF THE AGENDA AND RECOMMENDATIONS
AND CONCLUSIONS THEREON CONTAINED IN THE REPORT OF THE
MEETING RELATING SPECIFICALLY TO THE FERTILIZER INDUSTRY
WERE GENERALLY SATISFACTORY TO SHIELDS. TEXT OF
REPORT AVOIDS ENTIRELY SUCH PHRASEOLOGY CONTAINED
IN SECRETARIAT DOCUMENT ID/WG.242/2 AND SUGGESTED FOR
CONSENSUS AGREEMENT BY THE MEETING AS "GOVERNMENTS OF
THE COUNTRIES CONCERNED AGREE TO SUPPORT THESE ACTIONS..."
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(SECTION I-2); "TO THIS END, GOVERNMENTS, FERTILIZER
MANUFACTURING ENTERPRISES, INTERNATIONAL CONTRACTORS AND
SUPPLIERS OF EQUIPMENT AGREE ...(SECTION III-1)
AND "GOVERNMENTS OF DEVELOPING AND DEVELOPED
COUNTRIES AND THE CONTRIBUTORS OF FINANCING RECOGNIZE
THE NEED ..." (SECTION IV-1). IN ANY CASE, AS REPORTED
REFTEL US PARTICIPANTS MADE CLEAR THEY WERE IN NO

POSITION TO COMMIT GOVERNMENT, INDUSTRY OR LABOR TO CONCLUSIONS OF THE CONSULTATION. FINAL VERSION OF REPORT, WHICH THE CONSULTATION MEETING "PLACES BEFORE ALL INTERESTED PARTIES FOR THEIR INFORMATION AND CONSIDERATION" WILL BE CIRCULATED BY THE SECRETARIAT IN THE NEXT FEW DAYS. END SUMMARY.

2. DISCUSSION OF "ISSUES" RELATING TO THE FUTURE DEVELOPMENT OF THE FERTILIZER INDUSTRY AND CONCLUSIONS REACHED AS REFLECTED IN REPORT OF MEETING REGARDED BY SHIELDS AS GENERALLY ACCEPTABLE. BASIC CONCLUSIONS OF MEETING, WHICH SET THE SUBSTANTIVE TONE OF THE CONSULTATION, WERE THAT, GIVEN NEED TO INCREASE FERTILIZER CONSUMPTION IN LDCS AND TO ESTABLISH MORE FERTILIZER PRODUCTION FACILITIES THEREIN, OBJECTIVES SHOULD BE (A) ACHIEVEMENT OF SELF-SUFFICIENCY IN FERTILIZER PRODUCTION WITHIN LDCS AS A WHOLE AS SOON AS POSSIBLE AND IN ANY CASE BY THE YEAR 2000; (B) TO AIM IN ADDITION AT THE PRODUCTION OF A SURPLUS WHICH LDCS COULD EXPORT; (C) TO MAINTAIN A REASONABLE BALANCE OF SUPPLY AND DEMAND IN THE WORLD MARKET.

3. IN DRAFT VERSION OF REPORT SUBMITTED TO PLEARY BY THE CHAIRMAN STATEMENT OF THESE OBJECTIVES WAS FOLLOWED BY COMMENT (PARA 21) TO THE EFFECT THAT THE MEETING TOOK NOTE OF THE ASSESSMENT CONTAINED IN THE SECRETARIAT'S DRAFT WORLD-WIDE STUDY ON FERTILIZABOVE GOALS AND FORECAST LEAVELS OF CONSUMPTION ARE INDEED ACHIEVED, THE LIMITED OFFICIAL USE

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PERCENTAGE SHARE OF THE LDCS IN TOTAL WORLD PRODUCTION OF NITROGEN AND P2 05 IN THE YEAR 2000 WOULD BE APPROXIMATELY 40 PERCENT IF SELF-SUFFICIENCY IS ACHIEVED AND APPROXIMATELY 50 PERCENT IF SURPLUSES FOR EXPORT ARE PRODUCED. UNQUOTE. THE DATA AND ASSUMPTIONS FROM WHICH THIS "ASSESSMENT" WAS DERIVED WERE REGARDED AS MORE OR LESS DUBIOUS BY VARIOUS EXPERT PARTICIPANTS FROM GROUP B COUNTRIES. MOREOVER, SOME MEMBERS OF GROUP B PERMANENT MISSIONS WERE CONCERNED THAT THE INCORPORATION OF THESE PERCENTAGE FIGURES IN THE REPORT MIGHT RESULT IN THEIR BECOMING THE "HEADLINE CATCHERS" IN THE PUBLIC EYE, IN UNIDO PRESS RELEASES AND IN FUTURE DOCUMENTATION AND DISCUSSION. THE UPSHOT WAS A DECISION BY THE UK PARTICIPANTS TO CHALLENGE THE PROPOSED SPECIFIC REFERENCE TO THESE PERCENTAGES IN THE LAST PLENARY MEETING. THE UK CHALLENGE (WHICH AT ONE POINT LOOKED LIKE ENDING IN THE ACCEPTANCE OF HALF-SATISFACTORY LANGUAGE) WAS IMMEDIATELY FOLLOWED UP BY INSISTENCE ON THE PART OF THE SWISS PARTICIPANT

(VON SCHENCK) WHAT ANY REFERENCE TO PERCENTAGES
BE DELETED, PARTLY ON THE GROUNDS THAT IN THE
OPENING SESSION THE CHAIRMAN HIMSELF HAD ASSURED THE
MEETING THAT NO SUCH REFERENCE NEED BE INCLUDED IN
THE REPORT ONCE THE BASIC OBJECTIVE OF LDC SELF-
SUFFICIENCY (AS A BLOC) WAS AGREED UPON. VON SCHENCK
SUCCEEDED IN FORCING THE CHAIRMAN TO RETRACT, WITH
THE RESULT THAT THE LANGUAGE OF THE REPORT ON THIS
POINT WAS CHANGED TO READ: QUOTE. IF THE ABOVE
GOALS AND FORECAST LEVELS OF CONSUMPTION ARE INDEED
ACHIEVED, THE PERCENTAGE SHARE OF THE DEVELOPING
COUNTRIES IN TOTAL WORLD PRODUCTION OF NITROGEN AND
P2 O5 IN THE YEAR 2000 WOULD SUBSTANTIALLY INCREASE
SHEN SELF-SUFFICIENCY IS ACHIEVED AND MORE WHEN SURPLUSES
FOR EXPORT ARE PRODUCED. UNQUOTE.

4. VARIOUS IMPORTANT QUALIFICATIONS TO THE PURSUIT
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OF THE BASIC OBJECTIVE OF LDC BLOC SELF-SUFFICIENCY
WERE RECOGNIZED IN THE DISCUSSION AND ARE INCORPORATED
IN THE REPORT, E.G., (A) THE NEED TO ACHIEVE A REASONABLE
BALANCE OF FERTILIZER PRODUCTION WITHIN THE
MEMBER COUNTRIES OF THE DEVELOPING WORLD, (B) THE NEED
TO PRODUCE FERTILIZERS AT ECONOMICAL COSTS WHICH

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REQUIRES TAKING INTO ACCOUNT SUCH FACTORS AS
PROXIMITY TO INPUTS AND CONSUMER MARKETS AND
AVAILABILITY OF TRAINED MANPOWER, (C) OPTIMIZATION
OF PRODUCTION AND REASONABLE INPUT-OUTPUT
COEFFICIENTS AND, (D) THE NEED TO BUILD UP ON
ADEQUATE INFRASTRUCTURE.

5. THE SECTIONS OF THE REPORT CONCERNING THE
CONSTRUCTION, OPERATION AND FINANCING OF FERTILIZER
PLANTS APPEAR TO PRESENT NO SIGNIFICANT PROBLEMS INsofar
AS THE COMMENTS AND CONCLUSIONS RELATE SPECIFICALLY
TO THE INDUSTRY. THESE SECTIONS INCLUDE SUCH USEFUL
STATEMENTS AS: "IN SETTING UP FERTILIZER PLANTS IN
DEVELOPING COUNTRIES, IF IS NECESSARY TO ENSURE THAT
THE PLANTS ARE VIABLE" AND "THE CONSULTATION MEETING
STRESSED THE NEED FOR DEVELOPING COUNTRIES TO PREPARE
WELL-CONCEIVED FEASIBILITY STUDIES AND PROJECT REPORTS."

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6. AT VARIOUS POINTS IN THE DISCUSSION AND IN THE REPORT
PROPOSITIONS WERE PROPOUNDED ON SUCH BROADLY APPLICABLE
POLICY ISSUES AS UNTIED AID, INTERNATIONAL COMPETITIVE
BIDDING FOR ALL FERTILIZER PROJECTS ON MATTER HOW
FINANCED, CONCESSIONAL LOANS, AND FOREIGN FINANCING
OF LOCAL COSTS. IN ALL CASES THE DRAFT REPORT PREPARED
BY THE CHAIRMAN CONTAINED PROPOSED RECOMMENDATIONS
ON THESE POINTS SEVERAL OF WHICH, IN THEIR UNQUALIFIED FORM,
RAN COUNTER TO VIEWS EXPRESSED IN THE BRIEFING
PAPER PREPARED FOR THE US PARTICIPANTS. AS A
RESULT MAINLY OF INTERVENTIONS OF ONE OF THE US
PARTICIPANTS VARIOUS QUALIFICATIONS WERE
NEGOTIATED INTO THE TEXT SO THAT THE PASSAGES IN
QUESTION NOW READ AS IN THE FOLLOIWNIG EXAMPLES:
"THE MEETING FEELS THAT STEPS WILL HAVE TO BE
TAKEN TO PROVIDE FINANCE ON CONCESSIONARY TERMS TO
DEVELOPING COUNTRIES AS APPROPRIATE;" "THE
CONSULTATION MEETING STRESSED THAT AID SHOULD AS FAR
AS POSSIBLE BE UNTIED;" "IT (THE MEETING) SUGGESTS
THAT THE QUESTION OF EXTENDING AID FOR LOCAL COSTS MAY
ALSO BE EXAMINED WHEREVER THE AVAILABILITY OF LOCAL
FINANCE IS A CONSTRAINT."

7. AS INDICATED IN REFTTEL, DISCUSSION DID NOT DIVIDE
ALONG NORTH-SOUTH LINES AND GENERAL FEELING AMONG
PARTICIPANTS FROM GROUP B COUNTRIES WAS THAT THIS
INITIAL CONSULTATION HAD GONE REASONABLY WELL. AT THE
SAME TIME IT WAS RECOGNIZED THAT FERTILIZER SECTOR WAS A
RELATIVELY EASY ONE AND THAT VARIOUS ISSUES HAD BEEN
TOUCHED ON ONLY IN A GENERAL FASHION. STIBRAVY

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